



National Association  
of Professional Employer Organizations

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**Before the Senate Committee on Small Business, Emergency Preparedness, Technical  
Colleges, and Consumer Protection**

**Senate Bill 504**

**Adam Peer, Assistant Director of State Government Affairs  
National Association of Professional Employer Organizations  
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Mr. Chairman and Members,

My name is Adam Peer and I am representing the National Association of Professional Employer Organizations (NAPEO). On behalf of our entire membership, but specifically our Wisconsin-based members, I am here this today to testify in support of Senate Bill 504, a measure that will improve Chapter 461, Professional Employer Organizations.

*NAPEO especially wants to thank Senator Wirch, Representative Hilgenberg, Secretary Jackson and their respective staff for their hard work on this legislation.*

What is a professional employer organization?

A professional employer organization (PEO) is a business that partners with an existing small business to manage human resources, that can include employee benefits including healthcare, workers' compensation, Section 125 plans, retirement services and other critical benefits so their small business clients can focus on their core competencies to maintain and grow their business. The average PEO client is a small business with an average of 5 to 20 employees. By forming an employment relationship with these small businesses and their employees, PEOs are able to offer enhanced access to employee benefits that makes a small business of 10 feel like they are part of a company of 10,000. This allows small businesses to attract and retain a higher quality workforce.

Chapter 189, Professional Employer Organizations (2007 Act 189)

Last session, NAPEO supported Act 189 that created the basic statutory framework for PEOs in Wisconsin. The act also created important minimum financial standards, required financial audits by independent auditors, and annual registration with the Department of Regulation and Licensing. NAPEO also supported the additional technical changes earlier this session.

Senate Bill 504, Improvements to Chapter 189

The department and the industry identified several administrative issues to improve the effective administration of the new act as well as several areas worth clarifying. Senate Bill 504 is the result of the collaboration among the department, legislators, and NAPEO. We believe that the changes in Senate Bill 504 improve the act and are in keeping with the original intent of the act.

Again, I urge your support of Senate Bill 504.

Senate Bill 504  
Chapter 461 – Professional Employer Organizations (WI Stats.)  
Summary

Background

A Professional Employer Organization or PEO is a business that partners with an existing small business to manage human resources (professional employer services), that can include employee benefits such as healthcare, Section 125 plans, retirement services and other critical benefits, so small business clients can focus on their core competencies to maintain and grow their business. During the 2007-2008 session, the legislature created a statutory framework for PEOs found in chapter 461. This session several technical amendments were made to the chapter. Working with the department of regulation and licensing, the industry has identified additional technical and clarifying amendments:

Clarifications:

- Tax Credit: Clarify that tax credits and economic benefits *offered by local government* also belong to the client.
- Per Capita: Clarify that credits, mandated expenditures, etc. by the state or local government on a per capital basis shall be determined at the client-level.
- Definition: Clarify that a PEO is not a “temporary help agency” as defined in s. 102.01(2)(f) or a “temporary help company” as defined in s. 108.02(24m) or similar entity or person.

Technical Changes:

- Replace Term: Rename “limited registration”, “small operations” to avoid confusion with similar term.
- Name Act: Name the chapter the “Wisconsin Professional Employer Organization Act”.
- Required Filing: Clarify what an applicant for a small operations registration (currently, limited registration) must file.
- Public List: Direct the department to maintain a list of registered PEOs that is readily available to the public.